



# How Do You Want Redevelopment Money to be Spent?

Posted by [Pierluigi Oliverio](#) on Monday, June 30, 2008

## City Hall Diary

Last Tuesday, we considered whether to continue preliminary discussions with the Redevelopment Agency (RDA) and three private property owners regarding San Pedro Square. The issue under consideration was should RDA spend money to do capital improvements like sidewalk widening, streetscapes and loans to rehab older buildings in the area.

Let me first talk about the elephant in the room, former Mayor Tom McEnergy. I think it's pretty well known that his family owns a chunk of the outlying property at San Pedro Square.

I do not carry Tom's water; nor do I share his puritan views on nightclubs or past fears of Santana Row. In fact, I support a livelier downtown and frequent Santana Row on a regular basis. However, as someone who has lived in downtown, I do share a vision that it can and will be home to people, businesses and social gathering spots. I have had this vision since 7th grade, when RDA visited my school and brought in the physical model of our future downtown.

So should the city collaborate with three property owners who are willing to invest approximately \$15–21 million of their own money above and beyond RDA's \$6 million?

City governments have complex and confusing pots of money and rules on what the money may actually be spent on. Some money can be spent on people (police, librarians, code enforcement), and other money can be spent on capital projects (roads, equipment, building construction). Even more confusing, some money may only be spent in certain geographic areas to acquire property or build things, like in "redevelopment" areas or the Strong Neighborhood Initiative (SNI) neighborhoods. (SNIs cover 1/3 of the city where we have spent \$60 million on capital improvements.)

The question of "Return on Investment" (ROI) came up since the amount is more than \$1 million. The idea brought forward would add retail on San Pedro Square and St. John Street by creating an urban market similar to, but not the same as, Pike's Place in Seattle or the Ferry Building in San Francisco. In addition, we would create a walkable attractive paseo highlighting the historic Peralta Adobe of 1797 and the Fallon House of 1855, which are hidden gems of our downtown.

ROI is a loosely thrown-around term and is always up for scrutiny based on what criteria you choose to measure. ROI has "hard" measurable aspects like saving dollars, eliminating costs, and new sources of revenue, etc. And, on the other hand, "soft ROI" can be an externality of the main benefit. The investment makes it possible to leverage future dollars from future investors. For example, we do façade grants to make businesses look nice in the downtown and in our neighborhood business districts. Outside of looking nice, there is a hope that because of these façade improvements, more private investment will occur in this area. These façade improvements individually require less than \$1 million, but the aggregate costs are well over that amount.

When it comes to ROI, we are sometimes kidding ourselves because we try to stretch it to make us feel good. Unlike the Grand Prix (that came and went, costing the city a loss), we have investments like this one where we actually get to retain physical improvements to the area. Sometimes we do things without instant ROI

On the one hand, we could continue to do nothing because it's the McEnery family's property and let only nightclubs downtown. However, nightclubs do not bring nor create the family friendly downtown that we are looking for, as Councilmember Chu stated at the council meeting. The central question is: Will this investment—regardless of the owner—provide benefit for the downtown core?

To the North of San Pedro Square, the city has planned several residential towers that will help this proposed development succeed by joining newly opened residential towers, Axis and City Heights. This is an exciting opportunity for San Jose and I am confident that all of these components together will bring more life into downtown.

The final proposal will come back to the council around October.

The bigger questions I ask again are: How should we spend our RDA dollars? Should we spend it only on economic development where

there is ROI? If so, do we stop funding any items that do not generate sales tax, hotel tax or utility tax?

**Here are some downtown building and restoration projects that were done because of the RDA:**

Adobe Headquarters, Convention Center, Hilton Hotel, Marriott Hotel, Fairmont Hotel, Children's Discovery Museum, Tech Museum, California Theater, Hyatt Sainte Claire, De Anza Hotel, Jose Theater, San Jose Museum of Art, San Jose Repertory Theater, six office buildings and seven condominium developments.

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